



P.O. BOX 1029 – ROSEVILLE, CA 95678  
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February 15, 2008

## Granite Bancshares, Inc. Announces Year End Results for Granite Community Bank, N.A.

Granite Bancshares, Inc. (OTCBB: GBSI) today announced results for the year ended December 31, 2007 for its wholly owned subsidiary Granite Community Bank, N.A. (the "Company"). Net Income decreased \$134 thousand, or 11%, to \$1.129 million, compared to net income of \$1.263 million for the year ended December 31, 2006. Earnings per diluted share decreased 12% to \$0.80 for the year ended December 31, 2007, compared to \$0.91 for the year ended December 31, 2006.

Net income for the three months ended December 31, 2007 decreased \$331 thousand, or 78%, to \$94 thousand, compared to net income of \$425 thousand in the fourth quarter of 2006.

Net interest income was \$1.64 million and \$6.70 million in the fourth quarter and the year of 2007, respectively, compared to \$1.78 million and \$6.36 million for the same periods in 2006. The net interest margin for the fourth quarter and the year of 2007 was 4.45% and 4.39%, respectively. This is a decrease of 28 basis points and 37 basis points compared to the same periods in 2006. Changes in market rates in 2007 have helped to increase the Company's yield on earning assets by 8 basis points in the fourth quarter of 2007 compared to 2006 and an increase of 37 basis points for the year ended December 31, 2007 compared to the same period in 2006. Partially offsetting the rise in earning asset yields were increases in the Company's cost of funds. The cost of funds rose 34 basis points to 4.24% in the fourth quarter of 2007 compared to 3.90% in 2006 and 87 basis points to 4.45% for the year ended December 31, 2007 compared to 3.58% in 2006.

Non-interest income increased \$71 thousand and 56% in the fourth quarter of 2007, compared to the fourth quarter of 2006. For the year ended December 31, 2007, non-interest income increased \$83 thousand, or 17%, compared to the same period in 2006.

Non-interest expense increased \$153 thousand, or 12%, in the fourth quarter of 2007, compared to the fourth quarter of 2006 and \$501 thousand, or 11%, for the year ended December 31, 2007 compared to the year ended December 31, 2006.

At December 31, 2007, the Company's total assets were \$149.7 million, a decrease of \$1.46 million, or 1%, compared to December 31, 2006. Total loans and leases were \$129.1 million at December 31, 2007, an increase of \$4.5 million, or 3.6%, compared to December 31, 2006. Total deposits were \$116.2 million at December 31, 2007, a decrease of \$10.7 million, or 8.4%, compared to December 31, 2006.

The Provision for Loan and Lease Loss Reserves increased \$260 thousand in the fourth quarter of 2007 compared to the fourth quarter of 2006. For the year ended December 31, 2007, the Provision for Loan and Lease Loss Reserves increased \$175 thousand compared to the same period in 2006.



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"Our results for 2007 reflect the overall economic changes in our South Placer County California marketplace," reported David Kaiser, President/CEO. "There has been a significant slowdown in new loan activity within the region, coupled with regional fallout from the sub-prime mortgage debacle. While Granite Community Bank did not directly participate in the sub-prime mortgage industry, the region's economy and many of our clients have been impacted. Our decision to increase loan loss reserves reflects our continued conservative perspective on the marketplace. The investment we have made in our market over the past five years provides the Bank with a strong foundation as the region works through this current economic cycle. Granite Community Bank remains committed to fully serving our market, and we look forward to 2008 as an opportunity to continue building mutually beneficial relationships with our clients, serving the community, and simultaneously building value for our Shareholders."

(Dollar amounts in thousands, except share and per share data)  
(Unaudited)

FOR THE PERIOD:	Three months ended			Year ended		
	December 31,			December 31,		
	2007	2006	Change	2007	2006	Change
Net interest income	1,644	1,779	-8%	6696	6363	5%
Provision for loan and lease loss	325	65	400%	615	440	40%
Noninterest income	197	126	56%	565	482	17%
Noninterest expense	1,383	1,230	12%	4899	4398	11%
Pretax income	133	610	-78%	1747	2007	-13%
Provision for tax	39	185	-79%	618	744	-17%
Net income	94	425	-78%	1129	1263	-11%
Net income per basic share	0.07	0.32	-78%	0.84	0.95	-12%
Net income per diluted share	0.07	0.32	-78%	0.80	0.91	-12%
Shares outstanding	1,355,550	1,339,800		1,355,550	1,339,800	
Average	1,355,550	1,339,800		1,351,710	1,335,916	
Fully diluted	1,390,687	1,341,560		1,403,943	1,391,788	
<b>SELECTED FINANCIAL RATIOS</b>						
(Annualized):						
Return on average assets	0.24%	1.04%		0.72%	0.90%	



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Return on average equity	2.26%	10.61%	6.78%	8.62%
Average shareholder equity to average assets	10.58%	9.85%	10.58%	10.40%
Net interest margin	4.45%	4.73%	4.39%	4.76%

AT PERIOD END:

Loans and leases		129,056	124,519
Allowance for loan and lease loss		1,589	1,459
Total assets		149,733	151,197
Shareholder equity		16,593	15,268
Deposits		116,236	126,900
Total risk based capital ratio		12.36	11.74
Allowance for loan and lease loss to total loans		1.23	1.17

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